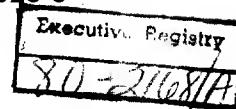


Central Intelligence Agency



Washington, D.C. 20505

2 OCT 1980

Honorable Alan K. Campbell
Director, Office of Personnel Management
Washington, D.C. 20415

Dear Scotty:

As requested in your letter of 19 September, I welcome the opportunity to comment on the effect the executive pay situation has had on the Central Intelligence Agency.

A major personnel difficulty for the CIA is retaining senior officers. Pay compression and the ceiling on executive salary compounded by the attractive cost-of-living adjustments to retirement annuities have caused a substantial rise in senior officer retirements. Since October 1978, 50 percent of our senior officer strength has retired. During the same period, the rate of retirement has doubled: in 1978, 11 percent retired; in 1979, 17 percent retired; and, in 1980, 22 percent of our senior officers retired from the CIA. The Agency had estimated and experienced a retirement rate of approximately 11 percent annually due to the aging of our population and the factor of some planned early retirements under the CIA Retirement and Disability System. The doubling of the retirement rate can only be explained by the salary disadvantage of remaining in Federal service at a fixed income during an inflationary period.

Additionally, the separation rate of senior officers indicates a salary problem. Although only 0.01 percent of senior officers separated from the Agency for reasons other than retirement since October 1978, 62.5 percent cited job factors as the reason for separation. The most frequently cited reason is advancement which, at the senior level, usually means more income.

As you know, the CIA selects most of its senior officers from within the Agency. In those areas where we do recruit senior officers, the fields are such that the officer has either retired from the primary career field or joins us from academia. Challenge and prestige rather than salary is usually the motivating factor in these recruitments.

The executive pay situation has not had a notable effect on the mobility of our senior officers. Nor has there been any adverse impact upon the morale or performance of our senior officers. The professionalism and dedication of senior officers in the Agency remain excellent in spite of salary limitations. There also have not been any refusals by lower-graded employees to join, when selected, the Senior Intelligence Service.

Operational and managerial experience and "institutional memory" have been affected by the retirement of so many senior officers. The impact of this on the overall effectiveness of the Agency is minimized as the Agency has an identification and training program which prepares qualified candidates to replace retiring senior officers. However, in certain operational activities that were resumed after a lengthy period of inactivity, the impact of retirements was more significant as sufficiently trained personnel were not available to staff the activity.

The inconsistency that pay compression has created, employees receiving the same salary despite wide variances in levels of responsibility, must be rectified. Stan joins me in the hope that the report from the Commission on Executive, Legislative, and Judicial Salaries results in new pay rates for senior Federal officials.

Sincerely,

/s/ Frank C. Carlucci

Frank C. Carlucci

Harry E. Fitzwater

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REMARKS

Here's a chance for us to put forward strong position -- suggest we ask Pete to draft response from DCI

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"D/PPPM - Here's a chance for us to put forward strong position -- suggest we ask Pete to draft response from DCI. DD/PPPM"

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